

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 IO-13 ISO-00 L-03 FRB-03  
OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05 CIAE-00  
COME-00 INR-10 LAB-04 NSAE-00 OIC-02 SIL-01  
STR-07 TRSE-00 CEA-01 SS-15 JUSE-00 NSC-05 /115 W  
-----089613 281436Z /75/14

R 201307Z APR 78

FM AMEMBASSY NAIROBI  
TO SECSTATE WASHDC 6907  
INFO AMEMBASSY ADDIS ABABA  
AMEMBASSY BRUSSELS  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY KHARTOUM  
AMEMBASSY KINSHASA  
AMEMBASSY LIBREVILLE  
AMEMBASSY LONDON  
AMEMBASSY LUSAKA  
AMEMBASSY PARIS  
AMEMBASSY YAOUNDE  
USMISSION GENEVA  
USMISSION USUN NEW YORK

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C O R R E C T E D C O P Y (TEXT--PARA ONE)

E.O. 11652: N/A

TAGS: ETRD, UNCTAD, KE

SUBJ: COMMON FUND DISCUSSIONS

REF: A. STATE 082918

B. NAIROBI 5010 (NOTAL)

1. SUMMARY: ECONOFF, IN FOLLOW-UP TO DEPUTY ASSISTANT

SECRETARY FRANK'S DISCUSSIONS WITH GOK, MET WITH DR

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KAGUNDA, GOK MINISTRY OF FINANCE AND PLANNING. DR  
KAGUNDA IS MINISTRY'S EXPERT ON COMMON FUND, COMMODITIES,  
TRADE, AND UN ECONOMIC ISSUES. DISCUSSION WITH KAGUNDA  
FOCUSED ON 3 ELEMENTS OF COMMON FUND NEGOTIATIONS: CAPITAL  
STRUCTURE, SECOND WINDOW, AND VOTING PROCEDURES. ON  
CAPITAL STRUCTURE, KAGUNDA SAID LDCS WOULD BE WILLING  
TO DISCUSS SOME MIX BETWEEN DIRECT GOVERNMENT CONTRIBUTIONS

AND POOLING OF INTERNATIONAL COMMODITY AGREEMENT RESOURCES, BUT DIRECT CONTRIBUTIONS ARE VIEWED AS ESSENTIAL ELEMENT. KAGUNDA BELIEVES SECOND WINDOW ISSUE HAS BEEN BLOWN OUT OF PROPORTION AND AFRICAN LDGS ENVISION LIMITED ACTIVITIES UNDER SECOND WINDOW. REFORM OF EXISTING INSTITUTIONS, WHILE WELCOME, IS A LONG-TERM EXERCISE AND LDGS NEED HELP NOW. KAGUNDA WAS NOT OVERLY CONCERNED ABOUT VOTING STRUCTURE, BELIEVING COMPROMISE SOLUTION POSSIBLE. END SUMMARY.

2. KAGUNDA SAID COMMON FUND WAS DISCUSSED AT AFRICAN TRADE MEETING HELD IN LUSAKA AT THE END OF MARCH. HE SAID MANY OF THE VIEW POINTS HE EXPRESSED ON THE COMMON FUND WERE PARALLEL WITH THOSE OF OTHER AFRICAN GOVERNMENTS WHO WERE PRESENT AT THE LUSAKA MEETING. KAGUNDA SPECULATED THAT COMMON FUND ISSUES AND DEVELOPMENT OF COORDINATED AFRICAN POSITION FOR RENEWED NEGOTIATIONS WOULD BE MAJOR TOPICS AT JULY OAU MEETING IN KHARTOUM.

3. CAPITAL STRUCTURE: KAGUNDA SAID KENYA AND MANY OTHER AFRICAN COUNTRIES VIEW DIRECT GOVERNMENT CONTRIBUTIONS TO THE COMMON FUND CAPITAL STRUCTURE AS AN ESSENTIAL FINANCING ELEMENT. THE POOLING OF FUNDS FROM INDIVIDUAL INTERNATIONAL COMMODITY AGREEMENTS (ICA), ACCORDING TO KAGUNDA, WILL NOT PROVIDE ADEQUATE FINANCIAL RESOURCES. IN ADDITION, SUCH POOLING DOES NOT CARRY THE SAME LEVEL LIMITED OFFICIAL USE

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OF COMMITMENT THAT DIRECT GOVERNMENT CONTRIBUTIONS DO. KAGUNDA WAS ALSO CONCERNED THAT THE COMMON FUND'S LOW INTEREST RATE STRUCTURE WOULD DISCOURAGE SOME ICAS FROM PARTICIPATING IN THE COMMON FUND'S FINANCIAL STRUCTURE. BASED ON HIS DISCUSSION AT THE LUSAKA MEETING, KAGUNDA BELIEVES THE AFRICAN LDGS WILL BE WILLING TO DISCUSS A CAPITAL STRUCTURE FOR THE FUND WHICH WILL BE A MIXTURE OF ICA POOLING AND DIRECT GOVERNMENT CONTRIBUTIONS. HE WOULD NOT SUGGEST ANY PARTICULAR FORMULA BUT SAID HE HOPED THE USG WOULD BE PREPARED TO DISCUSS SUCH A MIXTURE AS A COMPROMISE IN RENEWED COMMON FUND DISCUSSIONS.

4. SECOND WINDOW: KAGUNDA BELIEVES THE USG IS UNDULY CONCERNED OVER THIS ISSUE AND HAS BLOWN IT OUT OF PROPORTION. KAGUNDA ENVISIONS LIMITED SCOPE TO SECOND WINDOW ACTIVITY. SUCH ACTIVITIES WOULD BE PRIMARILY TO ASSIST COUNTRIES WHICH WILL NOT BENEFIT FROM BUFFER-STOCK ARRANGEMENTS OR ARE DEPENDENT ON COMMODITIES WHICH WILL NOT BE COVERED BY AN ICA. HE SAID FEW AFRICAN STATES SEE THE SECOND WINDOW AS A REPLACEMENT FOR EXISTING INTERNATIONAL FINANCIAL INSTITUTIONS (IFI) BUT BELIEVE IT WOULD SUPPLEMENT ACTIVITY OF THE IFIS. KAGUNDA SAID

THAT EMPHASIS ON REFORMING THE IFIS IGNORES THE FACT THAT SUCH RESTRUCTURING CAN NOT BE ACCOMPLISHED OVER THE SHORT TERM. THE FUNDAMENTAL REFORMS NECESSARY ARE OF A LONG TERM NATURE AND THE LDCS NEED HELP NOW.

5. VOTING PROCEDURES: KAGUNDA SAID HE UNDERSTOOD THE DOMESTIC POLITICAL PRESSURES AND CONSTRAINTS ON THE USG. HOWEVER, THE USG MUST BE AWARE OF LDC SUSPICION OF WEIGHTED VOTING WHICH IS BASED ON HISTORICAL EXAMPLES. KAGUNDA DID NOT APPEAR OVERLY CONCERNED OVER THE VOTING STRUCTURE AND SAID HE BELIEVED A COMPROMISE ACCEPTABLE TO BOTH GROUPS COULD BE REACHED IF THE ISSUE WAS APPROACHED WITH FLEXIBILITY AND UNDERSTANDING.

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6. IN THE COURSE OF THE DISCUSSION KAGUNDA MENTIONED SEVERAL TIMES APRIL 17TH SPEECH AT THE COMMONWEALTH CONFERENCE IN LONDON BY GOK MINISTER FOR COMMERCE AND INDUSTRY, ELIUD MWAMUNGA. KAGUNDA SAID THIS SPEECH ACCURATELY REFLECTED GOK APPROACH TOWARD COMMON FUND. ACCORDING TO MEDIA REPORTS, THRUST OF MINISTER'S SPEECH WAS THAT COMMODITY PROBLEMS MUST BE SOLVED WITH COORDINATED, COMPREHENSIVE, LONG-TERM MEASURES. MWAMUNGA IS QUOTED AS SAYING PAST EFFORTS HAVE FAILED BECAUSE COMMODITY PROBLEMS WERE APPROACHED ON A PRODUCT-BY-PRODUCT BASIS WHEN AN INTEGRATED PROGRAM IS CALLED FOR.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMMODITIES, VOTING, LESS DEVELOPED COUNTRIES, FOREIGN POLICY POSITION, FINANCIAL CONTRIBUTIONS, SPEECHES  
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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**TAGS:** ETRD, PORG, KE, UNCTAD, (KAGUNDA), (MWAMUNGA, ELIUD)  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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20 Mar 2014  
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